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Supreme Court of the United States

October Term, 1976

No. 76-1764

SHATTERPROOF GLASS CORPORATION,
Petitioner,

vs.

LIBBEY-OWENS-FORD COMPANY,
Respondent.

ON PETITION FOR WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT

BRIEF OF RESPONDENT IN OPPOSITION

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BRIEF OF RESPONDENT IN OPPOSITION

This case involves the interpretation of a license agreement under a unique factual situation and does not present any issue which justifies the grant of a writ of certiorari under the provisions of Rule 19. The decision of the Court of Appeals was not in conflict with any other decision by another Court of Appeals and the decision below did not decide an important state question in a way in conflict with applicable state law. No showing has been made that the trial court so far departed from the accepted and usual course of judicial proceedings as to call for an exercise of the power of supervision by the Supreme Court.

As stated in the petition, this case involves the construction of a provision in a license agreement between Libbey-Owens-Ford and Shatterproof. The central issue for determination in the case was whether Libbey-Owens-Ford granted a license to Ford Motor Company in 1931 on terms more favorable than the license which Libbey-Owens-Ford granted to Shatterproof in 1955. The license from Libbey-Owens-Ford to Shatterproof called for a royalty of 2¢ per square foot on the principal patent whereas the license to Ford called for an exchange of licenses on a royalty-free basis and was part of a transaction in which Ford gave its consent to the transfer to Libbey-Owens-Ford of an existing agreement between Triplex Glass Company of North America and Ford. The District Court held that the value of Ford's consent to such transfer was greater than the royalties that Ford would have paid if it had received a royalty-bearing license on the same terms as Shatterproof, and the Court of Appeals affirmed this determination.

There Was No Conflict With the Decision of the Court of Appeals for the Fourth Circuit.

Shatterproof argues that the decision of the Court of Appeals in the present case is in conflict with the decision of the Court of Appeals for the Fourth Circuit in *St. Joseph Iron Works v. Farmers Mfg. Co.*, 106 F.2d 294. Since this case is based solely on diversity of citizenship, it does not present any issue of federal law. The question of construction of a most favored nations clause in a patent license agreement is governed by Ohio law and any decision by the Court of Appeals of another circuit is irrelevant.

In any event, the decision of the Court of Appeals in the *St. Joseph Iron Works* case expresses the same rule

as was followed in the present case. In that case the Court considered a situation in which the licensor granted a license on a royalty basis and then subsequently granted a royalty-free license to another licensee without advising the first licensee. The Court held that the original licensee was entitled to recover all royalties paid since the date of the second license, and held that failure of licensor to give notice to the original licensee of the grant of the license on more favorable terms was a breach of its contractual obligations.

In the present case the Court recognized that Shatterproof was entitled to a refund of royalties paid if Shatterproof could show that the license to Ford was on more favorable terms, but Shatterproof was unable to sustain the burden of proof of establishing such claim. Under the terms of the license agreement in the present case, Libbey-Owens-Ford agreed to advise Shatterproof of each license granted by it that included any patent licensed under the agreement, and upon request to make available to Shatterproof a copy of such agreement for inspection. Libbey-Owens-Ford did not give Shatterproof notice of the agreement with Ford since it did not believe that the license to Ford was on more favorable terms. Shatterproof can not claim any damages resulting from failure to give such notice since Shatterproof in fact did learn of the existence of the Ford license and had a full opportunity to litigate the question as to whether the license was on more favorable terms. Having failed to prove its claim, Shatterproof can not now claim any damages because of failure by Libbey-Owens-Ford to advise Shatterproof of the existence of the Ford license when the agreement between Libbey-Owens-Ford and Shatterproof was executed.

This same issue was presented by Shatterproof to the trial court and the Court of Appeals. Contrary to the

statement in the petition, neither the trial court nor the Court of Appeals made any determination that the failure by Libbey-Owens-Ford to notify Shatterproof of the existence of the 1931 Ford license was a breach of its agreement with Shatterproof.

The Court of Appeals Did Not Decide an Important State Question in a Way in Conflict With Applicable State Law.

The decision of the trial court and the Court of Appeals is not in conflict with any applicable Ohio statute or case law, and Shatterproof has not suggested the existence of any such conflict. For this reason, a grant of certiorari is not appropriate under the provisions of Rule 19.

In any event the question that Shatterproof seeks to raise is not a question which is worthy of consideration by this Court. Most favored nations clauses in patent license agreements are designed for the protection of the licensee, but there is no support for Shatterproof's claim that the question of the value of consideration received for a license should be viewed solely from the point of view of the licensee. Shatterproof claimed in the courts below, as it does here, that the value of Ford's consent to Libbey-Owens-Ford was not a factor and that for some unexplained reason the only relevant consideration was the detriment or cost to Ford of granting the consent. Libbey-Owens-Ford had the burden of presenting evidence showing the value of Ford's consent to the assignment of the Triplex agreement, and based upon such valuation the trial court determined that the license to Ford was not on more favorable terms. Libbey-Owens-Ford submits that the trial court proceeded in an appropriate manner in determining whether the license to Ford was on more favorable terms.

CONCLUSION

For the foregoing reasons, Libbey-Owens-Ford submits that the petition for a writ of certiorari should be denied.

Respectfully submitted,

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